

# Committee on Ways and Means

## *New Medicare Law Includes Reforms to Help Control Costs and Save Money for Seniors and Taxpayers*

The Medicare Modernization Act (MMA) included many important provisions to reform the program, help slow the growth of costs, and provide savings to seniors and taxpayers:

### **Reforms & Competition**

- The MMA requires private plans to compete based on bids, not arbitrary payment formulas. Competition among plans has resulted in choices of plans throughout the country, with 10 organizations offering plans nationally and additional organizations offering plans on a regional basis.
- The law provides plans an incentive to negotiate aggressively with manufacturers on drug prices. Competitive markets have already resulted in drug plan bids that are 14 percent lower than anticipated.
- Other reforms in the MMA will help speed generics to market, saving an estimated \$600 million, according to the Congressional Budget Office.
- The bill provides increased choices through private health plans and sets up competition between plans and traditional Medicare in six areas beginning in 2010, saving \$300 million.

### **Savings for Seniors**

- All states, except Alaska, will have stand-alone prescription drug plans with premiums of less than \$20 per month. Many plans will have zero premiums.
- Seniors currently without drug coverage are expected to save 50 percent off of their drug costs.
- Low-income seniors will save even more – up to 96 percent off their drugs costs – with little or no premiums, no deductibles, and only small copayments.
- All seniors benefit from insurance protection against catastrophic drug costs.
- Increased choices in the Medicare Advantage program will provide seniors with coordinated care while saving them an average of \$100 per month compared to traditional Medicare with Medigap coverage.

### **Savings for Taxpayers**

- Reform of the average wholesale price (AWP) system for payment of drugs under Part B has increased efficiency and will save an estimated \$11.5 billion.
- Improvements to the Medicare Secondary Payer law, requiring other insurers to meet their obligations before Medicare pays, saves \$8.9 billion.
- Reforms in payments for Durable Medical Equipment save \$6.8 billion.
- Improvements in the payment for inhalation therapy drugs save \$4.2 billion.
- Indexing the Part B deductible to inflation saves \$11.6 billion.
- Income-relating the Part B premium subsidy beginning in 2007 so that more affluent seniors contribute more saves \$13.3 billion.
- The bill established expedited legislative review if general revenue funding exceeds 45 percent of program in order to ensure appropriate review of Medicare costs.